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Message Text

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17/11
ACTION NEA-09

INFO OCT-01 ISO-00 EA-06 NIC-01 SAJ-01 SAM-01 AGR-05

CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 COME-00 EB-07

FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01

OMB-01 STR-01 /095 W
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R 070701Z FEB 75
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 2194

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C O R R E C T E D C O P Y (TEXT PARA TWOLINE SIX)

E.O. 11652 N/A
TAGS: EAID, CE, CH
SUBJ: PRC-SRI LANKA 1975 TRADE PROTOCOL SIGNED IN COLOMBO

1. ELEVEN MAN PRC TRADE DELEGATION LED BY LI CHIANG, MINISTER OF FOREIGN TRADE, AND GSL OFFICIALS, SIGNED 1975 TRADE PROTOCOL TO RUBBER/RICE BARTER AGREEMENT FEBRUARY 4, 1975, IN COLOMBO. GSL WILL PURCHASE 250,000 METRIC TONS RICE BY SUPPLYING 70,000 METRIC TONS SHEET RUBBER, PLUS COCONUT OIL AND SMALL AMOUNTS OF GEMS AND OTHER PRODUCTS. PROTOCOL IS SIMILAR TO PREDECESSORS, WITH SINGAPORE MARKET DETERMINING RUBBER PRICES. SRI LANKA WILL PAY $340 PER TON C AND F FOR RICE (PRICE SUBJECT TO LATER ADJUSTMENT) AND, ACCORDING TO SENIOR GSL OFFICIAL, INFORMAL UNDERSTANDING WAS REACHED THAT GSL MAY USE UP TO $25 MILLION INTEREST-FREE LOAN IN FORM OF TEMPORARY SHORTFALL ON RUBBER DELIVERIES TO PRC IN 1975.

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2. GSL JANUARY EXPECTATIONS THAT PRC WOULD AGREE

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TO TWICE THE APPROXUTELY 200,000 M.T. RICE AMOUNT NORMALLY SUPPLIED HAD BEEN DISCOURAGED WELL BEFORE CHINESE REACHED COLOMBO. APPARENTLY ONLY PRIME MINISTER'S PERSONAL INTERVENTION SECURED EVEN LAST MINUTE ADDITIONAL 50,000 M.T. AT LEAST 100,000 TONS STILL REQUIRED FOR 1975 RATION. PRESS LAVISHLY PRAISED PRC'S $3.00 PER TON PRICE CONCESSION BUT ALSO ADVERTED TO GSL'S DISAPPOINTMENT THAT PRC TURNED DOWN REQUEST FOR LARGE ADDITIONAL RICE IMPORTS NEEDED TO REPLACE MAHA SHORTFALL. INFORMAL UNDERSTANDING BY CHINESE TO ALLOW SWING CREDIT OF $25 MILLION APPARENTLY AGREED TO BECAUSE OF SRI LANKA'S CONSISTENT INABILITY IN RECENT YEARS TO MEET RUBBER EXPORT TARGET UNDER RICE/RUBBER AGREEMENT. IN 1974, PRC SUPPLIED 190,000 M.T. RICE UNDER BARTER ARRANGEMENT AND 40,000 M.T. RICE IN ADDITIONAL AS GIFT.
VAN HOLLEN

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